MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

ANNUAL REPORT

For the Year Ended
December 31, 1987

88-03466/

Municipal Financing Corporation of Saskatchewan

Letter of Transmittal

Regina, Saskatchewan
March 18, 1988

To His Honour,
The Honourable Fred W. Johnson,
Lieutenant-Governor of the Province of Saskatchewan.

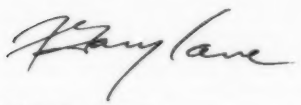
Sir:

I have the honour to submit herewith the annual report of the Municipal Financing Corporation of Saskatchewan for the year ending December 31, 1987, including the financial statements therefore, duly certified by E.J.C. Dudley & Co., the corporation's external auditor, and in the form approved by the Treasury Board, all in accordance with The Municipal Financing Corporation Act.

I wish to recognize the services of Mr. Morley I. Meiklejohn, who retired as General Manager of the Municipal Financing Corporation of Saskatchewan in May 1987. Mr. Meiklejohn was instrumental in the creation of the Corporation and served as General Manager since its establishment in 1969. In addition to Mr. Meiklejohn's distinguished career in the Public Service of Saskatchewan, Mr. Meiklejohn made many invaluable contributions to the Corporation during his 18 year tenure as General Manager.

I have the honour to be, Sir,

Your obedient servant,



J. Gary Lane, Q.C.
Minister of Finance
and Minister Responsible,
Municipal Financing
Corporation of Saskatchewan.

DIRECTORS

Honourable J. Gary Lane, Q.C.
Chairman

Honourable H.J. Swan

Honourable N. H. Hardy

Honourable P. Smith

OFFICERS

Mr. W. Davern Jones
General Manager

Mr. I. D. Disbery
Secretary

Municipal Financing Corporation of Saskatchewan

Annual Report 1987

The Municipal Financing Corporation of Saskatchewan was established to assist in making capital funds available for the financing of school, hospital and other essential construction and local improvement projects in cities, towns, villages and rural areas throughout the Province. The Corporation may borrow directly from private lending institutions or through the Department of Finance. The Corporation uses the funds borrowed to purchase a portion of the authorized debentures sold each year by Saskatchewan local governments.

During the year under review, the Corporation participated in the financing of 33 projects throughout Saskatchewan by purchasing $11.26 million of municipal debentures. At year end, the Corporation had outstanding commitments to purchase a further $5.819 million upon delivery of the debentures. The Corporation recorded net earnings of $2.634 million for 1987 compared to net earnings of $2.275 million for 1986.

The Corporation's debenture holdings at December 31, 1987 totalled $130.5 million, up $3.5 million from the total at December 31, 1986.

The Municipal Financing Corporation of Saskatchewan is administered by a Board of Directors through use of staff and facilities provided by the Department of Finance and the Crown Investments Corporation of Saskatchewan (CIC). The Corporation paid $24 thousand in 1987 for reimbursement of the costs to CIC of providing administrative services as well as for audit fees. The Municipal Financing Corporation of Saskatchewan made no payments to the Department of Finance for administrative charges. The Directors do not receive fees and, with the exception of interest paid on borrowed funds, the Corporation had no other expenses in the current year. A table showing results of operations for the year under review, as compared to the previous year, is set out on page 4. A detailed listing of debenture purchases in the current year is presented in schedular form on page 5.

Municipal Financing Corporation of Saskatchewan

Comparative Table of Operations

For the Year Ended December 31

	1987	1986
	(thousands of dollars)	
Amount of debentures approved by the Corporation (net of subsequent reductions)	$ 13,568	$ 14,889
Prior year's purchase commitments carried forward	3,511	1,932
Total purchase commitments for the year	17,079	16,821
Purchases completed	(11,260)	(13,310)
Purchase commitments outstanding at the year end	$ 5,819	$ 3,511

Municipal Financing Corporation of Saskatchewan

Debentures Purchased in 1987

(in thousands of dollars)

Town of Assiniboia	$ 190
Davidson School Division No. 31	307
Dinsmore Union Hospital	50
Estevan Roman Catholic Separate School Division No. 27	213
Eston Elrose School Division No. 33	373
Gull Lake Union Hospital	71
Town of Kindersley	92
Kerrobert School Division No. 44	226
Town of Kindersley	250
Kyle White Bear Union Hospital	310
Town of Lashburn	80
Leader School Division No. 24	643
Town of Leader	110
Village of Meath Park	57
City of North Battleford	297
Northern Lights School Division No. 113	153
Prairie View School Division No. 74	192
City of Prince Albert	304
Prince Albert Roman Catholic Separate School Division No. 6	274
Prince Albert Roman Catholic Separate School Division No. 6	1,849
Village of Quill Lake	100
City of Regina	476
Rosetown School Division No. 43	1,410
St. Paul's Roman Catholic Separate School Division No. 20	1,115
City of Saskatoon	936
Swift Current School Division No. 75	621
Swift Current School Division No. 94	134
Town of Tisdale	43
Wadena School Division No. 46	117
Town of Wadena	36
Town of Watrous	120
Village of White City	75
Wilkie School Division No. 59	36
	$ 11,260

Municipal Financing Corporation of Saskatchewan

Management's Responsibility for Financial Reporting in the Annual Report

Management has prepared the financial statements of the Municipal Financing Corporation of Saskatchewan in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

E.J.C. Dudley & Co., the Corporation's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

W. Davern Jones
General Manager

Municipal Financing Corporation of Saskatchewan

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Municipal Financing Corporation of Saskatchewan as at December 31, 1987 and the statements of operations and reinvested earnings and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

E.J.C. Dudley & Co.,
Chartered Accountants.

Regina, Saskatchewan
February 3, 1988

Municipal Financing Corporation of Saskatchewan

Statement of Financial Position

As at December 31

Assets	1987	1986
	(thousands of dollars)	
Current:		
Cash	$ 700	$ 374
Interest receivable	6,301	6,360
	7,001	6,734
Investments in municipal securities, at amortized cost (Market value 1987 — $149,566; 1986 — $145,730)	130,499	127,265
Debt issue costs	1,054	1,442
	$138,554	$135,441
Liabilities and Province's Equity		
Liabilities:		
Current:		
Notes payable — Province of Saskatchewan	$ 19,000	$ 15,500
Accounts payable and accrued liabilities	4,848	4,869
Debentures payable within one year	3,500	3,000
	27,348	23,369
Long-term debentures payable (Note 3)	105,224	108,724
Commitments (Note 4)		
Province of Saskatchewan's Equity		
Reinvested earnings	5,982	3,348
	$138,554	$135,441

(See accompanying notes)

Municipal Financing Corporation of Saskatchewan

Statement of Operations and Reinvested Earnings

For the Year Ended December 31

	1987	1986
	(thousands of dollars)	
Revenue		
Investment income	$ 16,703	$ 16,386
Expenses		
Interest on long-term debt	12,217	12,443
Interest on short-term debt	1,440	1,256
Amortization of debt issue costs	388	388
Administration	24	24
	14,069	14,111
Net earnings	2,634	2,275
Reinvested earnings, beginning of year	3,348	1,073
Reinvested earnings, end of year	$ 5,982	$ 3,348

(See accompanying notes)

Municipal Financing Corporation of Saskatchewan

Statement of Cash Flows

For the Year Ended December 31

	1987	1986
	(thousands of dollars)	
Cash provided by operating activities		
Net earnings	$ 2,634	$ 2,275
Add charges to operations not requiring a current cash payment:		
Amortization of discounts and premiums	20	16
Amortization of debt issue costs	388	388
	3,042	2,679
Net change in non-cash working capital balances related to operations*	38	(391)
Cash provided by operating activities	3,080	2,288
Cash provided by (used in) investment activities		
Purchase of municipal debentures	(11,291)	(13,399)
Proceeds from maturing municipal debentures	8,037	7,686
Cash provided by (used in) investment activities	(3,254)	(5,713)
Cash provided by (used in) financing activities		
Additions to notes payable-Province of Saskatchewan	3,500	5,500
Repayment of long-term debt	(3,000)	(2,000)
Cash provided by (used in) financing activities	500	3,500
Net increase in cash during the year	326	75
Cash position (overdraft), beginning of year	374	299
Cash position, end of year	$ 700	$ 374
*Net change in non-cash working capital balances related to operations		
(Increase) decrease in interest receivable	$ 59	$ (359)
Increase (decrease) in accounts payable	(21)	(32)
	$ 38	$ (391)

(See accompanying notes)

Notes to Financial Statements

December 31, 1987

1. Accounting Policies

The Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments in Municipal Debentures

Investments in municipal debentures are carried at amortized cost. The Corporation purchases debentures at a premium or discount where the interest rate yield required by the Corporation varies from the coupon interest rate offered by the local governments. A portion of the outstanding premiums and discounts is amortized each year against interest income using the straight-line method. In this way effective income derived from each debenture is adjusted to equal the Corporation's required yield for that debenture to its maturity. This policy is only effected where the premium or discount, at the time of purchase, exceeds $250.

Debt Issue Costs

Debt issue costs are carried at cost less accumulated amortization to date. Debt issue costs are being amortized on a straight-line basis over the life of the related debt.

2. Status of Corporation

The Municipal Financing Corporation was established in 1969 pursuant to the provisions of The Municipal Financing Corporation Act.

3. Long Term Debentures Payable

Series	Year of Repayment	Interest Rate	1987	1986
			(thousands of dollars)	
6	1987	9	$ —	$ 1,000
11	1987	11 3/4	—	2,000
6	1988	9 1/8	1,000	1,000
11	1988	12	2,500	2,500
3	1989	9 7/8	1,000	1,000
4	1989	9 3/4	1,000	1,000
9	1989	11 3/4	2,000	2,000
11	1989	12	2,500	2,500
10	1989	15 7/8	2,000	2,000
	1990	7 4/10	28,014	28,014
9	1990	11 3/4	1,000	1,000
11	1990	12 3/4	4,000	4,000
6	1990	9 1/4	2,000	2,000
10	1990	15 7/8	2,000	2,000
5	1991	9 1/2	1,000	1,000
3	1991	9 7/8	1,000	1,000
10	1991	15 7/8	5,000	5,000
3	1992	9 7/8	1,000	1,000
7	1992	9 1/8	1,000	1,000
5	1992	9 1/2	1,000	1,000
10	1992	15 7/8	3,000	3,000
	1992	10 3/4	26,710	26,710
8	1993	9 5/8	1,000	1,000
4	1993	9 3/4	2,000	2,000
4	1994	9 3/4	1,000	1,000

3. **Long Term Debentures Payable — *(Continued)***

Series	Year of Repayment	Interest Rate	1987	1986
			(thousands of dollars)	
7	1994	9 1/4	1,000	1,000
8	1994	9 5/8	1,000	1,000
5	1994	9 5/8	1,000	1,000
7	1995	9 1/4	1,000	1,000
6	1995	9 1/2	1,000	1,000
8	1995	9 5/8	1,000	1,000
8	1996	9 5/8	1,000	1,000
5	1996	9 3/4	1,000	1,000
8	1997	9 5/8	1,000	1,000
5	1997	9 3/4	1,000	1,000
11	1997	12 3/4	1,500	1,500
9	1999	12	1,000	1,000
9	2000	12	1,000	1,000
11	2002	12 7/8	2,500	2,500
			108,724	111,724
Repayment required within one year			3,500	3,000
Net long-term debentures payable			$105,224	$108,724

Principal payments due on long-term debt for the next five years are as follows (in thousands of dollars):

1988	$ 3,500
1989	8,500
1990	37,014
1991	7,000
1992	32,710

4. **Commitments**

Prior to December 31, 1987 the Board of Directors had approved the purchase of debentures from certain local governments of which $5.819 million were not purchased before the year-end.

5. **Related Party Transactions**

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

6. **Comparative Figures**

The 1986 comparative figures were examined by and reported on by an auditor other than E.J.C. Dudley & Co.